



SIG GASES BERHAD

**(Company No.: 875083 - W)
(Incorporated in Malaysia)**

**Financial Report
For The Three-Month Period Ended
31 March 2017**

**Unaudited Condensed Consolidated Statement of Comprehensive Income
for the three-month period ended 31 March 2017**

	Current quarter		Cumulative quarter	
	<u>3 months ended</u>		<u>3 months ended</u>	
	31 Mar 2017 RM'000	31 Mar 2016 RM'000	31 Mar 2017 RM'000	31 Mar 2016 RM'000
Revenue	18,155	19,049	18,155	19,049
Cost of sales	(12,700)	(13,297)	(12,700)	(13,297)
Gross profit	<u>5,455</u>	<u>5,752</u>	<u>5,455</u>	<u>5,752</u>
Other income	123	2,837	123	2,837
Selling and administrative expenses	(4,122)	(4,633)	(4,122)	(4,633)
Finance costs	(200)	(324)	(200)	(324)
Share of profit of an associate	605	426	605	426
Profit before tax	<u>1,861</u>	<u>4,058</u>	<u>1,861</u>	<u>4,058</u>
Income tax expenses	(513)	(944)	(513)	(944)
Profit after tax and total comprehensive income for the period	<u><u>1,348</u></u>	<u><u>3,114</u></u>	<u><u>1,348</u></u>	<u><u>3,114</u></u>
Total comprehensive income attributable to :				
Equity holders of the company	1,348	3,114	1,348	3,114
Non-controlling interests	0 *	-	0 *	-
	<u><u>1,348</u></u>	<u><u>3,114</u></u>	<u><u>1,348</u></u>	<u><u>3,114</u></u>
Earning per share (Sen)				
- Basic	0.72	1.66	0.72	1.66
- Diluted	0.72	1.66	0.72	1.66

* The amount is less than RM1,000

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements.

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SIG Gases Berhad
(Company No:875083-W)

Unaudited Condensed Consolidated Statements of Financial Position as at 31 March 2017

	Unaudited As at 31 Mar 2017 RM'000	Audited As at 31 Dec 2016 RM'000
Assets		
Non-current assets		
Property, plant and equipment	106,798	107,674
Intangible assets	335	357
Investment in an associate	10,001	9,796
	<u>117,134</u>	<u>117,827</u>
Current assets		
Inventory property	1,937	1,937
Inventories	4,327	4,693
Trade and other receivables	25,329	23,517
Cash and bank balances	6,709	6,136
	<u>38,302</u>	<u>36,283</u>
TOTAL ASSETS	<u>155,436</u>	<u>154,110</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	93,750	93,750
Reserves	30,783	29,435
	<u>124,533</u>	<u>123,185</u>
Non-controlling interest	20	-
	<u>124,553</u>	<u>123,185</u>
Non-current liabilities		
Deferred tax liabilities	2,891	2,378
Loans and borrowings	7,685	6,537
	<u>10,576</u>	<u>8,915</u>
Current liabilities		
Trade and other payables	12,609	10,899
Loans and borrowings	7,698	11,111
	<u>20,307</u>	<u>22,010</u>
Total liabilities	<u>30,883</u>	<u>30,925</u>
TOTAL EQUITY AND LIABILITIES	<u>155,436</u>	<u>154,110</u>
Net assets per share attributable to ordinary equity holders of the Company (RM)	0.66	0.66

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements.

**Unaudited Condensed Consolidated Statements of Changes in Equity
for the three-month period ended 31 March 2017**

	Non-distributable Share Capital RM'000	Share Premium RM'000	Distributable Retained Earnings RM'000	Non- controlling interest RM'000	Total RM'000
As at 1 January 2017	93,750	1,020	28,415	-	123,185
Total comprehensive income for the period	-	-	1,348	-	1,348
Investment in subsidiary	-	-	-	20	20
as at 31 March 2017	<u>93,750</u>	<u>1,020</u>	<u>29,763</u>	<u>20</u>	<u>124,553</u>
As at 1 January 2016	93,750	1,020	24,380	-	119,150
Total comprehensive income for the period	-	-	3,114	-	3,114
as at 31 March 2016	<u>93,750</u>	<u>1,020</u>	<u>27,494</u>	<u>-</u>	<u>122,264</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements.

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SIG Gases Berhad
(Company No:875083-W)

Unaudited Condensed Consolidated Statements of Cash Flows for the three-month period ended 31 March 2017

	Financial year ended	
	31 Mar 2017 RM'000	31 Mar 2016 RM'000
Cash flows from operating activities		
Profit before tax	1,861	4,058
Adjustments for:		
Depreciation	1,480	1,424
Gain on disposal of property, plant and equipment	(20)	(32)
Interest expenses	185	284
Interest income	(1)	(6)
Reversal of impairment loss on trade receivables	(61)	-
Impairment loss on trade receivables	-	180
Share of profit of an associate	(605)	(426)
Unrealised foreign exchange loss/(gain)	5	(82)
Write off of property, plant and equipment	36	19
	<hr/>	<hr/>
Operation profit before working capital changes	2,880	5,419
Decrease in inventories	364	1,105
Decrease in inventory property	-	3,290
Increase in receivables	(1,751)	(293)
Increase/(decrease) in payable	1,918	(3,226)
	<hr/>	<hr/>
Cash generated from operating activities	3,411	6,295
Interest paid	(185)	(284)
Tax paid	(194)	(44)
	<hr/>	<hr/>
Net cash generated from operating activities	3,032	5,967
Cash flows from investing activities		
Purchase of property, plant and equipment	(624)	(1,165)
Proceed from disposal of property, plant and equipment	27	55
Dividend received from associate company	400	-
Interest received	1	6
	<hr/>	<hr/>
Net cash used in from investing activities	(196)	(1,104)
Cash flows from financing activity		
Repayment of borrowings	(2,263)	(1,530)
	<hr/>	<hr/>
Net cash used in financing activities	(2,263)	(1,530)
Net increase in cash and cash equivalents		
	573	3,333
Cash and cash equivalents at beginning of financial period	6,136	5,411
Cash and cash equivalents at the end of financial period	<hr/> <hr/>	<hr/> <hr/>
	6,709	8,744
Cash and cash equivalents at the end of the financial period comprise the following:		
Cash and bank balances	<hr/> <hr/>	<hr/> <hr/>
	6,709	8,744

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements.

NOTES TO THE REPORT

PART A - EXPLANATORY NOTES PURSUANT TO MALAYSIA FINANCIAL REPORTING STANDARDS ("MFRS") 134, INTERIM FINANCIAL REPORTING

A1. Corporate information

SIG Gases Berhad is a public limited liability company incorporated and domiciled in Malaysia, and is listed on Bursa Malaysia Securities Berhad.

These condensed consolidated interim financial statements were approved by the Board of Directors on 19 May 2017.

A2. Basis of Preparation

These condensed consolidated interim financial statements, for the quarter ended 31 March 2017 have been prepared in accordance with MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the Group's annual audited financial statements for the year ended 31 December 2016. The explanatory notes attached to these condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2016.

A2.1 Significant accounting policies

The significant accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the annual financial statements for the year ended 31 December 2016 except for the adoption of the following which are applicable to its financial statements and are relevant to its operations:

(i) Adoption of standards and interpretations:

<u>Description</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to MFRS 12: Disclosure of Interests in Other Entities	1 January 2017
Amendments to MFRS 107: Disclosure Initiatives	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017

(ii) Standards and interpretations issued but not yet effective

At the date of authorization of these interim financial statements, the followings standards and interpretations were issued but not yet effective and have not been applied by the Group:

<u>Description</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to MFRS 2: Classification and Measurement of Share based Payment Transactions	1 January 2018
Annual Improvements to MFRSs 2014-2016 Cycle	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018

NOTES TO THE REPORT**PART A -
EXPLANATORY NOTES PURSUANT TO MALAYSIA FINANCIAL REPORTING STANDARDS
("MFRS") 134, INTERIM FINANCIAL REPORTING****A2.1 Significant accounting policies (cont'd)**

(ii) Standards and interpretations issued but not yet effective (cont'd)

<u>Description</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to MFRS 140: Transfers of Investment Property	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
IC Interpretation 22: Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 16: Leases	1 January 2019
Amendment to MFRS 10 and MFRS 128: Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

A3. Auditor's report on preceding annual financial statements

There was no qualification to the audited financial statements of the Company for the financial year ended 31 December 2016.

A4. Seasonal or cyclical factors

The business operations of the Group were not significantly affected by any seasonal or cyclical factors.

A5. Items of unusual nature

There were no significant unusual items affecting the assets, liabilities, equity, net income or cash flow during the financial year ended 31 December 2016.

A6. Material changes in estimates

There were no changes in estimates that have had a material effect on the current quarter results.

A7. Changes in debt and equity securities

There were no issuance, cancellation, repurchase, resale and repayment of debt for the financial period-to-date.

A8. Dividend paid

At the Annual General Meeting held on 19 May 2017, a final tax exempt (single-tier) dividend of 2.40% in respect of the financial year ended 31 December 2016 on 187,500,000 ordinary shares of RM0.50 each, amounting to a dividend payable of RM2.25 million (1.20 sen per ordinary share) was approved by the shareholders and payable on 16 June 2017.

NOTES TO THE REPORT

PART A - EXPLANATORY NOTES PURSUANT TO MALAYSIA FINANCIAL REPORTING STANDARDS ("MFRS") 134, INTERIM FINANCIAL REPORTING (CONT'D)

A9. Segment information

The Group is organized into business units based on their products and services, and it has three operating segments as follows

- (1) Manufacturing
- (2) Refilling and Distribution
- (3) Other Products and Services

For the detailed analytical review of the segmental information, please refer to Part B1 and B2 for explanation.

Three-month period ended 31 March 2017

	Manufacturing	Refilling and Distribution	Other Products and Services	Total
	RM'000	RM'000	RM'000	RM'000
REVENUE	7,619	10,401	135	18,155
RESULTS				
Profit for reportable segment	1,384	4,051	20	5,455
Other income				123
Selling and administrative expenses				(4,122)
Finance costs				(200)
Share of profit of an associate				605
Profit before tax				1,861
Income tax expenses				(513)
Total comprehensive income				<u>1,348</u>

Three-month period ended 31 March 2016

	Manufacturing	Refilling and Distribution	Other Products and Services	Total
	RM'000	RM'000	RM'000	RM'000
REVENUE	9,382	9,499	168	19,049
RESULTS				
Profit for reportable segment	1,978	3,750	24	5,752
Other income				2,837
Selling and administrative expenses				(4,633)
Finance costs				(324)
Share of loss of an associate				426
Profit before tax				4,058
Income tax reversal				(944)
Total comprehensive income				<u>3,114</u>

NOTES TO THE REPORT**PART A -
EXPLANATORY NOTES IN COMPLIANCE WITH FINANCIAL STANDARDS
("MFRS") 134, INTERIM FINANCIAL REPORTING****A10. Valuation of property, plant and equipment**

There was no valuation of property, plant and equipment in the current financial quarter.

A11. Capital commitments

Capital commitments for property, plant and equipment not provided for as at 31 March 2017 are as follows:-

	RM'000
Approved and contracted for	<u>8,561</u>

A12. Property, plant and equipment

The Group acquired property, plant and equipment amounting to RM0.62million during the current quarter .

A13. Material events subsequent to the end of period reported

Furtherance to SIGGAS announcement dated 16 November 2016 in respect of the Joint Venture Agreement ("JVA") entered into by SIGGAS with Prospect Smooth Limited (Hong Kong Co. Reg. No: 2354272) for the Company to restructure its wholly owned subsidiary, Southern Nitrous Oxide Sdn. Bhd. (Formerly known as Southern Carbon Dioxide Sdn. Bhd.) (Company No. 789834-H) to be the Joint Venture Company, the share equity structure of the JVA had been completed on 30 January 2017.

A14. Changes in composition of the group

There were changes in composition of the Group to the end of the current financial quarter that have been reflected in this quarterly report as at the date of this report.

**PART A -
EXPLANATORY NOTES IN COMPLIANCE WITH FINANCIAL STANDARDS
("MFRS") 134, INTERIM FINANCIAL REPORTING**

A15. Contingent liabilities or contingent assets

There were no material contingent liabilities or contingent assets to be disclosed as at the date of this report.

A16. Cash and cash equivalents

	As at 31 Mar 2017 RM'000	As at 31 Dec 2016 RM'000
Cash in hand and at banks	6,709	6,136

A17. Profit before tax

Included in the profit before tax are the following items:

	<u>Current quarter</u> <u>3 months ended</u>		<u>Cumulative quarter</u> <u>3 months ended</u>	
	31 Mar 2017 RM'000	31 Mar 2016 RM'000	31 Mar 2017 RM'000	31 Mar 2016 RM'000
(a) Interest income	1	6	1	6
(b) Other income/(charges) including investment income	122	2,769	122	2,769
(c) Interest expense	185	284	185	284
(d) Depreciation and amortisation	1,480	1,424	1,480	1,424
(e) (Reversal)/Provision for and write off of receivables	(61)	180	(61)	180
(f) Provision for and write off of inventories	-	-	-	-
(g) (Gain)/loss on disposal of quoted and unquoted investments or properties	-	-	-	-
(h) (Reversal)/Impairment of property, & equipment	-	90	-	90
(i) Foreign exchange gain/(loss)				
- Realised	(3)	(20)	(3)	(20)
- Unrealised	(5)	82	(5)	82
(j) (Gain)/loss on derivatives	-	-	-	-

A18. Significant related party transactions

The Group had the following transactions during the current financial period with related parties in which certain directors of the Company have substantial financial interest:-

Nature of transactions	Transactions during the current financial quarter RM'000	Transactions Period-to-date RM'000	Balance outstanding as at 31 March 2017 RM'000
Purchase of refrigerants, cylinders, valves, liquid oxygen, liquid nitrogen, liquid argon, liquid carbon dioxide, specialty gases and overdue interest from companies in which the Company's director, Peh Lam Hoh has substantial financial interests.	2,889	2,889	1,951
Sales of industrial gases and equipment to companies in which the Company's director, Peh Lam Hoh has substantial financial interest	93	93	79

NOTES TO THE REPORT**PART B –
ADDITIONAL INFORMATION AS REQUIRED BY LISTING REQUIREMENT OF BURSA
MALAYSIA SECURITIES BERHAD (PART A OF APPENDIX 9B)****B1. Review Of Performance Of The Group****Current Quarter 3 months ended 31 March 2017 vs. Preceding year corresponding Quarter 3 months ended 31 March 2016**

The current quarter recorded a lower revenue of RM18.16M, which was 4.69% down as compared to the corresponding quarter of RM 19.05M . The shortfall was largely attributed to lower sale of acetylene gas and liquid nitrogen due to lower project jobs in the current quarter.

The gross profit of the Group for the current quarter was RM5.46M, which was lower by RM0.29M or 5.04% as compared to the corresponding quarter. This was attributed to lower revenue in the current quarter.

The Group achieved a profit before tax of RM1.86M in the current quarter, which was down by 54.19% or RM2.20M. This was due to the absence of one off profit on sale of 4 units of Semi Detached Industrial Buildings of RM2.66M in the corresponding quarter. The share of profit from the associate company was up by RM0.18M from RM0.43M in corresponding quarter to RM0.61M in current quarter. Selling & admin expenses reduced by RM0.51M due to lower upkeep expenses of motor vehicles, foreign exchange loss and provision for unutilised leave . The finance charges were lower by RM0.12M or 37.50% following the restructuring of loan facility and with the partial repayment of term loan and reduction in the utilisation of trade line facilities.

The current quarter's Group's profit after tax was RM1.35M, reduced by RM1.76M or 56.59% due to the abovementioned factors.

B2. Material Changes In The Quarterly Results Compared To The Results Of The Preceding Quarter

The revenue of the Group for the current quarter was down by RM0.38M or 2.05% as compared to that of the preceding quarter. The shortfall was largely due to lower sale of liquid nitrogen, acetylene, argon and carbon dioxide.

The Gross profit was down by RM1.11M or 16.89% to RM5.46M. The Gross profit margin was eroded from 35.44% to 30.05% due to lower industrial gases sales and higher raw materials cost.

The Group recorded a profit before tax of RM1.86M, which was up by RM0.06M as compared to the preceding quarter. The increase in profit before tax was mainly due to lower provision for unutilised leave, decrease in upkeep expenses of motor vehicles and lower foreign exchange losses. Share of profit from an associate company was higher due to a provision for deferred taxation of RM1.32M in the 4th quarter of 2016.

The current quarter's Group's profit after tax was RM1.35M, up by RM0.42M as compared to the preceding quarter largely due to reduction in taxation by RM0.36M.

NOTES TO THE REPORT

B3. Current Year Prospects

The Malaysian Institute of Economic Research (MIER), reported that the growth of Malaysian Gross Domestic Product (GDP) 2017 is expected to be at 4.50%. The depressed oil price coupled with the fluctuation of exchange rates of MYR against US dollar and other currencies together with the looming general election will have an impact on the Malaysian economy. Any weakening of MYR is expected to increase the cost of some of our imported materials and capital goods.

Malaysian overall industrial environment is expected to remain challenging in 2017. There are numerous economic and political issues that could have significant impacts on the Malaysian economy, such as the cutting back of capital expenditures in the oil and gas sector, the austerity measures by government, continuous inflationary effect of GST cutting back of subsidiaries, the implementation of minimum wage rate and the global economic uncertainty arising from slowing-down of economic growth in China, BREXIT, slow growth of Japanese economy and political uncertainty and securities concerns due to influx of immigrants into the European economic community, the uncertainty arising from protectionist trade policies of the US President Trump's administration and others.

Despite the challenging times ahead, the management will continue to implement cost-savings measures and to improve productivity of our operations. The management continues to explore asset lightening measures and to invest to widen the group's revenue base to improve efficiencies of its capital resources and to enhance the return to the shareholders.

In conclusion, despite the uncertainty posed by the macroeconomic environment set out above, we believe that with our various cost-savings exercises, re-alignment of assets, and gradual increase in revenue from our completed expansion projects and continuous investment to widen our revenue base, we remain cautiously optimistic about our performance for year 2017.

B4. Profit Forecast And Profit Estimate

The Group did not issue any profit forecast or profit estimate previously in any public document.

B5. Income Tax Expense

	Current quarter 3 months ended 31 Mar 17 RM'000	Current financial period to date 31 Mar 17 RM'000
In respect of the current period		
- Income tax	-	-
- Deferred tax	513	513
	<u>513</u>	<u>513</u>

NOTES TO THE REPORT

PART B – ADDITIONAL INFORMATION AS REQUIRED BY LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD (PART A OF APPENDIX 9B)

B6. Status of Corporate Proposals

The Public Issue of 49.2 million and Offer For Sales of 3 million ordinary shares of RM0.50 each in the Company at an issue price of RM0.58 had all been fully subscribed and the entire share capital of the Company of 150 million ordinary shares were listed on the Main Board of Bursa Malaysia Securities Berhad on 9 August 2010. The Company raised RM28.54 million from the public issue and the utilization of proceeds as at 12 May 2017 (the latest practicable date not earlier than seven (7) days from the date of issue of this report) is as follows:

No.	Description	Estimated timeframe for utilisations upon Listing	Proposed Utilisations	Amendment 1	Amendment 2	Actual Utilisations	Reclassification	Balances to be utilised	
			(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
1	Purchase of land and building its facilities	60 months							
1.1	Sarawak - Samalaju Industrial Park		9,736	(2,500)	(2,690)	(3,628)	30	948	21%
1.2	Sarawak - Kemena Industrial Park, Bintulu		-	2,500		(2,500)		-	0%
1.3	Kuantan		2,500		1,250	(4,337)	587	-	0%
1.4	Melaka		2,500		1,440	(3,990)	50	-	0%
			14,736	-	-	(14,455)	667	948	6%
2	Purchase of property, plant & equipment	12 months							
2.1	Cylinders		5,400			(5,400)		-	0%
2.2	Hydrogen long tube		1,000			(1,000)		-	0%
			6,400	-	-	(6,400)	-	-	0%
3	Repayment of term loan	12 months							
			4,200			(4,200)		-	0%
4	Listing expenses*	Immediately							
			3,200			(2,533)	(667)	-	0%
	Total		28,536	-	-	(27,588)	-	948	3%

The gross proceeds arising from the Offer for Sale, net of the relevant fees, accrued entirely to the Offeror and no part of the proceeds was received by the Company.

The excess of provision for Listing expenses of RM0.67 Million will be utilized in the purchase of land and building and its facilities as indicated in Section 2.8 (iv) of the Prospectus.

NOTES TO THE REPORT

PART B – ADDITIONAL INFORMATION AS REQUIRED BY LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD (PART A OF APPENDIX 9B) (CONT'D)

B7. Group Borrowing and Debts Securities

The Group's borrowings and debts securities as at 31 March 2017 are as follows:

	RM'000
Long term borrowings	
<u>Secured:</u>	
Obligation under finance lease	407
Term loans	7,278
	<u>7,685</u>
Short term borrowings	
<u>Secured</u>	
Obligation under finance lease	377
Bankers acceptance and revolving credit	4,396
Term loans	2,925
	<u>7,698</u>
Total	<u><u>15,383</u></u>

B8. Breakdown of realised and unrealised profits or losses of the Group

	At end of current quarter 31-Mar-17 RM'000	At end of preceding quarter 31-Dec-16 RM'000
Realised profits	29,213	27,557
Unrealised gain/(losses)	(2,891)	(2,378)
Total retained profits	<u>26,322</u>	<u>25,179</u>
Associated company - Realised	3,441	3,236
	<u>29,763</u>	<u>28,415</u>
Less: Consolidations adjustments	-	-
Retained profits as per statement of financial position	<u><u>29,763</u></u>	<u><u>28,415</u></u>

B9. Material Litigation

There was no material litigation as at the date of issuance of this quarterly report.

B10. Dividends

No interim dividend has been declared during the current quarter.

B11. Earnings Per Share

Basic earnings per share are calculated based on weighted average number of ordinary shares in issue and profit attributable to equity holders of the Group.